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Signed and Filed: September 22, 2011

A handwritten signature in cursive script, reading "Dennis Montali", is written over a horizontal line.

DENNIS MONTALI  
U.S. Bankruptcy Judge

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Attorneys for Citibank, N.A.

UNITED STATES BANKRUPTCY COURT

NORTHERN DISTRICT OF CALIFORNIA

SAN FRANCISCO DIVISION

In re

Howrey LLP,

Debtor

CASE NO. 11-31376-DM

**ORDER APPROVING CITIBANK, N.A.'S  
MOTION TO APPOINT A CHAPTER 11  
TRUSTEE**

Hearing Date: September 21, 2011

Time: 9:30 a.m.

Place: Courtroom 22

235 Pine Street, 19<sup>th</sup> Floor

San Francisco, CA 94101

Judge: Honorable Dennis Montali

Upon consideration of the Motion<sup>1</sup> of Citibank for among other things entry of an order, pursuant to sections 105(a) and 1104(a) of the Bankruptcy Code and Bankruptcy Rule 1017(f), appointing a chapter 11 trustee ("Chapter 11 Trustee"); and the Court having considered the Motion, the Memorandum and the Verdisco Declaration; and the Court having held a hearing

<sup>1</sup> Capitalized terms used and not defined herein shall have the meanings ascribed to them in the Memorandum of Points and Authorities in Support of the Motion of Citibank, N.A. for Entry of an Order Converting the Debtor's Chapter 11 Case to a Case Under Chapter 7 of the Bankruptcy Code, or in the Alternative, Appointing a Chapter 11 Trustee (the "Memorandum").

1 with respect to the Motion; and it appearing that the Debtor and the Official Committee of  
2 Unsecured Creditors ("Committee") consent to the appointment of a Chapter 11 Trustee, subject  
3 to the terms and conditions set forth in this Order; and it appearing that proper and adequate  
4 notice of the Motion has been given and that no other or further notice is necessary; and upon the  
5 record herein; and after due deliberation thereon, and good and sufficient cause appearing  
6 therefor; it is hereby

7 **ORDERED, ADJUDGED AND DECREED** that:

8 1. The Motion to appoint a Chapter 11 Trustee is GRANTED as provided herein,  
9 and the request of Citibank to convert the case to a case under chapter 7 is withdrawn.

10 2. Pursuant to 11 U.S.C. section 1104(d) of the Bankruptcy Code, the Office of the  
11 United States Trustee shall consult with counsel to Citibank, the Debtor and the Committee to  
12 promptly select and appoint a qualified individual to serve as Chapter 11 Trustee.

13 3. The Chapter 11 Trustee and Citibank shall confer on a budget governing the use  
14 of cash collateral and, unless otherwise ordered by the Court, the Chapter 11 Trustee shall be  
15 permitted to use cash collateral only to the extent such use is previously agreed to in writing by  
16 Citibank.

17 4. Until the Chapter 11 Trustee has been appointed and qualified in this case, the  
18 Debtor may continue to use Citibank's cash collateral on the terms and conditions set forth in the  
19 Interim Cash Collateral Order solely in accordance with the supplemental two-week budget (the  
20 "Supplemental Budget") attached (as the same may be extended upon the agreement of Citibank  
21 and the Debtor) as follows: to pay the expenses set forth therein in the amounts stated, including  
22 (i) employee wages and benefits for those employees still employed by the Debtor as of the date  
23 hereof for services performed through no later than October 7, 2011 (except for those employees  
24 whose services will terminate effective on or before October 5, 2011, then only through that  
25 date); (ii) to reimburse the members of the Howrey Dissolution Committee for services  
26 performed through September 23, 2011 up to a maximum of \$92,000 for the month of  
27 September 2011; and (iii) to pay up to \$1.9 million (the "CIGNA Payment") for Howrey  
28 employee medical and healthcare claims ("Medical Claims") to be processed and paid through

1 Connecticut General Life Insurance Company, trading as CIGNA ("CIGNA"), on the terms and  
2 conditions described in the paragraph 9 below.

3 5. The liens and claims granted to Citibank pursuant to the Court's INTERIM ORDER  
4 (A) AUTHORIZING USE OF CASH COLLATERAL; (B) GRANTING ADEQUATE PROTECTION AND RELATED  
5 RELIEF; AND (C) SCHEDULING FINAL HEARING [Docket No. 98] as amended or supplemented  
6 through the date hereof ("Interim Cash Collateral Order") shall continue in full force and effect  
7 notwithstanding the appointment of the Chapter 11 Trustee, and any use of cash collateral  
8 permitted by this Order shall be governed in all respects by the Interim Cash Collateral Order, as  
9 further modified hereby.

10 6. Until the Chapter 11 Trustee has been appointed and qualified in this case, the  
11 Dissolution Committee may continue to serve on behalf of the Debtor, without compensation  
12 after September 23, 2011. Thereafter, the members of the Dissolution Committee may serve at  
13 the request of the Trustee and upon such terms as may be mutually agreed to between the  
14 members, the Chapter 11 Trustee and Citibank.

15 7. The Chapter 11 Trustee is hereby authorized to complete the indexing, return and  
16 authorized destruction of client files (whether electronic or hard copy) (the "Box Project") on a  
17 reasonable and appropriate time line and budget acceptable to Citibank in good faith, and shall  
18 be entitled to use cash collateral to complete the Box Project at a cost not to exceed \$1,500,000  
19 absent the further agreement of Citibank.

20 8. Nothing herein shall preclude the Debtor, with the consent of Citibank, or the  
21 Chapter 11 Trustee from retaining (or offering employment to) any Howrey employees for  
22 periods after October 7, 2011, subject to a budget reasonably acceptable to Citibank or further  
23 order of this Court.

24 9. Subject in all respects to an agreement with CIGNA reasonably satisfactory to  
25 Citibank, the Debtor, Citibank, and the Committee have agreed to the following terms and  
26 conditions regarding the CIGNA Payment and the use of the amounts already held in an imprest  
27 account (collectively, the "CIGNA Funds") for CIGNA to pay and process Medical Claims:  
28

1                   a.       CIGNA will complete the processing and payment of all Medical Claims  
2 forthwith;

3                   b.       Citibank's cash collateral will not be used to fund amounts in excess of the  
4 CIGNA Funds for CIGNA to pay or process the Medical Claims or for any other services  
5 provided by it under its Administrative Services Only Agreement with the Debtor in connection  
6 with the Debtor's self-insured employee healthcare benefits plan ("Medical Plan");

7                   c.       CIGNA will have an administrative expense claim for any Medical Claims  
8 it pays in excess of the CIGNA Funds;

9                   d.       To the extent feasible, CIGNA will use reasonable efforts (i) to avoid  
10 paying any Medical Claims submitted on behalf of any Howrey partner or any dependent of a  
11 Howrey partner (the "Partner Claims"); (ii) to obtain the benefits of any medical provider  
12 discounts available to it and (iii) to provide Citibank with an accounting of any such Partner  
13 Claims, whether paid or unpaid;

14                  e.       After the processing and payment of all Medical Claims, CIGNA will  
15 promptly return any unused portion of the CIGNA Funds directly to Citibank;

16                  f.       In the event that any Partner Claims are paid with CIGNA Funds, the  
17 Debtor on behalf of the estate and the Chapter 11 Trustee reserves the right to seek  
18 reimbursement therefor from the Howrey partners;

19                  g.       Upon the agreement of CIGNA, which agreement shall be reasonably  
20 satisfactory to Citibank, the Debtor shall promptly file a motion on such notice as shall be fixed  
21 by the Court, to approve these terms and any other terms as may be agreed upon by CIGNA, the  
22 Debtor, Citibank and the Committee concerning the processing and payment of Medical Claims.  
23 The CIGNA Payment will be made promptly upon such court approval.

24           10.       The Debtor's professionals shall file final applications for compensation and  
25 reimbursement of expenses (including, without limitation, fees and expenses that are not the  
26 subject of any previous application, and any "holdback" retained in accordance with procedures  
27 previously approved by this Court), which final applications shall be filed with the Court and  
28 served in accordance with the notification and service procedures set forth in the Order

1 approving interim compensation, within thirty (30) days after the appointment and qualification  
2 of the Chapter 11 Trustee; and

3 11. The Debtor's professionals shall apply the unused portion of their retainers, if  
4 any, to pay approved final fees and expenses for services rendered through the date of the  
5 appointment and qualification of the Chapter 11 Trustee (and any services performed thereafter  
6 at the request of the Chapter 11 Trustee or in preparing and presenting their final fee  
7 applications). To the extent such retainers are insufficient to fully pay approved fees, such  
8 professionals shall be paid out of cash collateral or other cash of the estate in accordance with the  
9 Carve Out provision set forth in the Court's Interim Cash Collateral Order, which provision shall  
10 survive the appointment of the Chapter 11 Trustee and any termination of the Debtor's use of  
11 cash collateral until all approved final fees and expenses of the Debtor's professionals have been  
12 paid in full. To the extent there are any amounts remaining as retainers after satisfaction of the  
13 Debtor's professional fees such amounts will be paid to the estate forthwith.

14 12. The Court shall retain jurisdiction to hear and determine all matters arising from  
15 or related to the implementation of this Order.

16 Approved as to Form

17 PAUL, WEISS, RIFKIND, WHARTON & GARRISON  
18 LLP  
19 Kelley A. Cornish  
and

20 PEITZMAN, WEG & KEMPINSKY LLP

21  
22  
23 By: /s/ Lawrence Peitzman  
24 Lawrence Peitzman  
25 Attorneys for Citibank, N.A.

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27 FELDERSTEIN FITZGERALD WILLOUGHBY &  
28 PASCUZZI LLP

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By: /s/ Thomas A. Willoughby  
Thomas A. Willoughby  
Attorneys for Official Committee Of  
Unsecured Creditors

WILEY REIN LLP

By: \_\_\_\_\_  
Dylan Trache  
Attorneys for Debtor

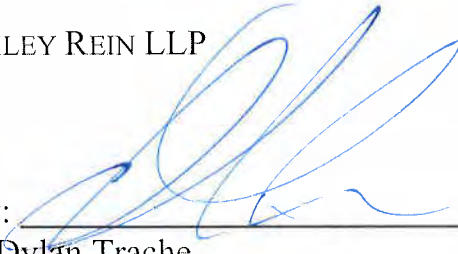
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By: \_\_\_\_\_  
Thomas A. Willoughby  
Attorneys for Official Committee Of  
Unsecured Creditors

WILEY REIN LLP

By:  \_\_\_\_\_  
Dylan Trache  
Attorneys for Debtor

\*\*END OF ORDER\*\*

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